

**ACCOUNTANCY EXAMINING BOARD[193A]**

**Adopted and Filed**

Pursuant to the authority of Iowa Code section 542.4, the Accountancy Examining Board hereby amends Chapters 1 to 4, 9 to 11, 13, and 15 to 17; rescinds and adopts new Chapters 5 to 8, 12, 14, and 18; rescinds Chapter 19; and adopts new Chapters 20 and 21, Iowa Administrative Code.

During the process of drafting these rules, the Board solicited participation from numerous constituent groups. A task force that included members of the Board as well as members from the Iowa Society of Certified Public Accountants and the Accountants Association of Iowa reviewed several drafts of these amendments prior to publication of the Notice of Intended Action.

Most of the amendments implement changes required as a result of 2008 Iowa Acts, chapter 1106, which becomes effective July 1, 2009. This legislation allows out-of-state CPAs and CPA firms to practice in Iowa without licensure under some conditions. New Chapters 20 and 21 describe the practice privilege in some detail, and many of the chapters are amended to incorporate references to practice privilege where relevant. The legislation increases civil penalties for firms to \$10,000 and authorizes the Board to confidentially supply licensee social security numbers to the National Association of State Boards of Accountancy for use in a national data bank of licensee information. The legislation also allows licensees to voluntarily provide the Board with a final peer review report and, absent objection from the licensee, similarly allows the administering entity of a peer review program to provide a final peer review report to the Board.

Other amendments:

- Update references to the 2001 Iowa Accountancy Act;
- Outline the Board's planned transition from biennial to annual renewal for individual licensees;
- Clarify provisions on who is authorized to perform attest or compilation services in Iowa, and under what conditions;
- Make a number of changes to the CPA and LPA firm application and renewal process;
- Add discipline provisions to the continuing education chapter and allow ethics continuing education to be earned in half-hour increments under certain conditions;
- Reorganize fee information and change the fee to reinstate a lapsed license. The Board has not yet established a fee schedule for annual renewals commencing with certificates and licenses that expire on and after June 30, 2010, and will amend the rules when the revised fee schedule is available;
- Add guidelines for licensees regarding how to address conflicts of interest; and
- Provide a detailed list of grounds for discipline.

These amendments are subject to waiver or variance pursuant to 193—Chapter 5.

Notice of Intended Action was published in the January 14, 2009, Iowa Administrative Bulletin as **ARC 7484B**. A public hearing was held on February 3, 2009, at 10 a.m. in the Second Floor Conference Room of the Board's offices located at 1918 S.E. Hulsizer Road, Ankeny, and public comments were allowed until close of business on that same day. One individual from the Iowa Society of Certified Public Accountants attended the hearing and spoke in support of the amendments. Additionally, the Society appeared before the Administrative Rules Review Committee on Friday, February 9, 2009, at 9:25 a.m. in Room 116, State Capitol, Des Moines, Iowa, and again expressed support for the amendments.

The Board received written comments on the proposed amendments in a letter cowritten by Deloitte & Touche, LLP, Ernst & Young, LLP, Grant Thornton, LLP, KPMG LLP, and PricewaterhouseCoopers LLP (collectively "Deloitte") raising concerns on the following six specific topics.

1. Substantial equivalency. Deloitte requested that the Board by rule mandate deference to the National Association of State Boards of Accountancy (NASBA) and the Uniform Accountancy Act (UAA) in determining whether an applicant for an Iowa CPA certificate who holds a CPA certificate in another state satisfies qualifications substantially equivalent to those required in Iowa. This suggestion relates back to the Iowa Accountancy Act of 2001, effective July 1, 2002, in which the Iowa Legislature rejected the suggested UAA language and instead vested discretionary authority in the Board to

determine substantial equivalency. See Iowa Code sections 542.3(23) and 542.19(1). The rules as amended do not make any substantive changes to the process of establishing substantial equivalency. UAA is often amended. The Board lacks control over what the UAA model act provides and could not accordingly delegate its duty to determine substantial equivalency in the manner suggested. The Board is unaware, however, of any serious discrepancies between the Board's determinations and the guidelines provided by NASBA. If such issues are brought to the Board's attention, they can be resolved on a case-by-case basis.

2. Inactive status. Deloitte suggested a new rule to provide guidance to out-of-state CPAs on how they can comply with Iowa's continuing education requirements when applying to reactivate an inactive Iowa CPA certificate to active status. The suggested rule is unnecessary. Board rules already outline the process for requesting inactive status and for reinstating to active status. See 193A IAC 5.9(542). When reinstating to active status in Iowa, CPAs are deemed to satisfy Iowa's continuing education requirement if the CPAs satisfy the continuing education requirement of the state in which they reside or maintain their principal place of business. See Iowa Code section 272C.2(4) and subrules 5.9(7) and 10.3(5).

3. Document production. Deloitte asked the Board to restrict by rule the statutory requirement that CPAs exercising a practice privilege respond to Board requests for "such information or records as licensees are similarly required to provide." See Iowa Code section 542.20(7)"c." Deloitte raised concerns that practice privilege practitioners may not be familiar with Iowa's requirements and that the Board lacks a process to challenge the request. Both concerns are misplaced. Practice privilege practitioners are required by Iowa law (and UAA) to comply with all laws of the state in which they are practicing. By requiring the production of the same information and records Iowa licensees provide, but upon the Board's request rather than as part of the application and renewal procedures required of licensees, the Board will in effect be giving the practice privilege practitioner precise notice of the requested information. A practice privilege practitioner who fails or refuses to respond would be subject to revocation of a practice privilege pursuant to the procedures described in Iowa Code section 542.14, procedures that include a right to a contested case hearing. The Board may alternatively issue a subpoena, which is enforceable through the administrative procedures outlined in 193 IAC Chapter 6 and through district court procedures which provide an opportunity to resist. See Iowa Code sections 17A.13(1) and 272C.6(3).

Mobility was not intended to shield practitioners from state Board investigations. Until there is a national data bank of CPAs both the Board and the public can consult, it is entirely reasonable to require CPAs practicing in the same way as Iowa licensees to provide the Board basic information needed to assure lawful compliance with Iowa law.

4. Iowa licensure. The task force that developed Iowa's version of mobility legislation for consideration by the Iowa Legislature was comprised of representatives of the Board, the Iowa Society of CPAs, the Accountants Association of Iowa, the Auditor of State, and the Department of Agriculture and Land Stewardship. There was broad consensus that it was critical to preserve the Auditor's requirement of Iowa licensure for CPAs performing governmental audits and the Department of Agriculture's requirement of Iowa licensure for CPAs performing audits or reviews in connection with grain warehouse licensing. Iowa law states:

"A provision of this section or of any other section in this chapter shall not prevent the auditor of state, the department of agriculture and land stewardship, other governmental official or body, or a client from requiring that public accounting services performed in Iowa or for an Iowa client be performed by a person or firm holding a license under this chapter." See Iowa Code section 542.20(2).

Deloitte asked the Board to attempt to minimize the impact of this provision by rule. The Board lacks that authority and, in any event, has consistently expressed strong support for this provision.

5. Principal place of business. Deloitte objected to Board rules that provide guidance to licensees on identifying a licensee's principal place of business for purposes of determining compliance with mobility provisions. See rule 193A IAC 1.1(542). The Board's rules are, however, entirely consistent with Iowa law. "'Principal place of business' means the primary location from which public accounting services are performed, as the Board may further define by rule. A person or firm may only have one principal place of business at any one time." See Iowa Code section 542.3(20B). Board rules address how a CPA

who often practices in multiple jurisdictions may identify the “primary” location from which the CPA practices.

6. Disclosures on application forms. Deloitte asked that the Board reduce the volume of information Iowa Code section 542.7 requires that CPA firms provide in applications and within 30 days of changes. CPA firms are required, for instance, to notify the Board within 30 days of “a change in the identity of a partner, officer, shareholder, member, or manager who performs professional services in this state or for clients in this state.” See Iowa Code section 542.7(6)“a.” The Board appreciates and shares the concerns and has already taken steps to allow an affirmation and audit process for much of the information at issue. See subrules 7.3(8) and 7.7(1). The Board plans to consult with the Iowa Society of CPAs in developing application forms and, to the extent allowed by statute, will address the concerns raised in this paragraph.

Upon consideration of all comments received, the Board made no changes. These amendments are identical to those published under Notice.

These amendments were adopted by the Board during a conference call held March 12, 2009.

These amendments will become effective July 1, 2009.

These amendments are intended to implement Iowa Code chapters 17A, 272C, 542 and 546 and 2008 Iowa Acts, chapter 1106.

EDITOR’S NOTE: Pursuant to recommendation of the Administrative Rules Review Committee published in the Iowa Administrative Bulletin, September 10, 1986, the text of these amendments [Chs 1 to 21] is being omitted. These amendments are identical to those published under Notice as **ARC 7484B**, IAB 1/14/09.

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[For replacement pages for IAC, see IAC Supplement 4/22/09.]